

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

COMPETITIVE PRODUCT PRICES  
INBOUND COMPETITIVE MULTI-SERVICE AGREEMENTS WITH  
FOREIGN POSTAL OPERATORS

CHINA POST GROUP - UNITED STATES POSTAL SERVICE  
MULTI-PRODUCT BILATERAL AGREEMENT (MC2010-34)  
NEGOTIATED SERVICE AGREEMENT

Docket No.  
CP2011-68

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO CHAIRMAN'S  
INFORMATION REQUEST NO. 1**  
(September 6, 2011)

The United States Postal Service hereby gives notice of filing its response to Chairman's Information Request No. 1 in this proceeding, which the Commission issued on August 30, 2011. Each question is stated verbatim and followed by the response. Portions of the responses to Questions 1 and 2 are filed under seal in a nonpublic annex. The Postal Service incorporates by reference the application for non-public treatment that the Postal Service filed with its initial notice in this docket.

Respectfully submitted,

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September 6, 2011

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
COMMISSION INFORMATION REQUEST NO. 1  
DOCKET NO. CP2011-68**

1. The contingency factor in the instant contract is reduced from that employed in the first Inbound Competitive Multi-Service Agreements with Foreign Postal Operators (Docket No. CP2010-95). In the public supporting workpapers, the Postal Service explains “[t]he contingency factor in this model was decreased slightly to 2.16% due to a large increase in July 2011 Inflation Indices”. See “CP2011-68 China Public Workpapers.xlsx” tab: “01\_Inputs”.
  - a. Please explain why it is appropriate to reduce the contingency factor due to increases in the inflation indices.
  - b. Please explain why a different contingency factor is used in the instant docket compared with Docket No. R2011-7, which uses the same economic indicators to project costs.

**RESPONSE:**

- a. The contingency factor is included in cost projections to allow for “unforeseen increases in costs.” In general, contingency factors are not reduced due to increases in inflation. [REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

[REDACTED] An unredacted version of this response is filed under seal as part of USPS-CP2011-68/NP1.

- b. The increase in costs provided by the July 2011 inflation indices affected the projected costs for both UPU rates and the bilateral contract rates [REDACTED]

[REDACTED]

[REDACTED]. An unredacted version of this response is filed under seal as part of USPS-CP2011-68/NP1.

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2. Please refer to the footnote in Annex 1 denoted with five asterisks in the unredacted Bilateral Agreement filed in the instant docket.
- a. Please explain the likelihood of the footnote being triggered.
- b. If the footnote is triggered and China Post chooses option (b) in the footnote, please provide the Postal Service's best estimate of the effect on the agreement's cost coverage and if the product is likely to comply with 39 U.S.C 3633(a).

**RESPONSE:**

- a. There is little likelihood the footnote will be triggered. The EMS PFP rates filed with the Commission in August were [REDACTED] SDR/Piece and [REDACTED] SDR/kilo. The [REDACTED] referred to by the footnote, would give China Post [REDACTED] The bilateral agreement contract rate [REDACTED] is [REDACTED] [REDACTED] An unredacted version of this response is filed under seal as part of USPS-CP2011-68/NP1.
- b. As established in response to question 2(a), cost coverage would [REDACTED] if China were to elect option (b). An unredacted version of this response is filed under seal as part of USPS-CP2011-68/NP1.